

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY	)	
TURNPIKE WATER DISTRICT FOR A	)	
DEVIATION FROM COMMISSION	)	CASE NO. 96-364
REGULATIONS REGARDING	)	
REPORTING AND TESTING	)	
REQUIREMENTS	)	

O R D E R

On July 29, 1996, Kentucky Turnpike Water District ("Kentucky Turnpike") applied to the Public Service Commission requesting that Division No. 1 of its water distribution system be allowed to deviate from certain regulations of the Commission regarding reporting and testing requirements, specifically 807 KAR 5:066, Section 6(1);<sup>1</sup> 807 KAR 5:006, Section 3(2);<sup>2</sup> 807 KAR 5:006, Section 16(1);<sup>3</sup> and 807 KAR 5:006, Section 25(1).<sup>4</sup>

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<sup>1</sup> 807 KAR 5:066, Section 6(1): Each utility shall install a suitable measuring device at each source of supply so that a record may be maintained of the quantity of water produced by each source.

<sup>2</sup> 807 KAR 5:006, Section 3(2): Every gas, electric and water utility shall make periodic reports on forms prescribed by the commission, of meter tests, number of customers and amount of refunds. These forms are hereby incorporated by reference, and may be obtained at the commission's offices at 730 Schenkel Lane, P. O. Box 615, Frankfort, Kentucky, 40602, Monday through Friday between the hours of 8:00 a.m. and 4:30 p.m. local time.

<sup>3</sup> 807 KAR 5:006, Section 16(1): All electric, gas and water utilities furnishing metered service shall provide meter standards and test facilities, as more specifically set out under 807 KAR 5:022, 807 KAR 5:041 and 807 KAR 5:066. Before being installed for use by any customer, all electric, gas and water meters shall be tested and in good working order and shall be adjusted as close to the optimum operating tolerance as possible, as more specifically set out in 807 KAR 5:022, Section 8(3)(a), 807 KAR 5:041, Section 17(1)(a)-(c) and 807 KAR 5:066, Section 15(2)(a)-(b).

<sup>4</sup> 807 KAR 5:006, Section 25(1): Each utility shall adopt inspection procedures to assure safe and adequate operation of its facilities and compliance with commission rules and regulations. These procedures shall be filed with the commission for review.

After reviewing the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Kentucky Turnpike, a water district organized pursuant to KRS Chapter 74, was created and established on January 9, 1965 as Salt River Water District #2 by order of the Bullitt County Fiscal Court.

2. On November 4, 1966, the Commission issued a Certificate of Public Convenience and Necessity to what was then known as the Salt River Water District #2 to construct a public waterworks and water distribution system, and authorized the issuance of \$825,000 in revenue bonds to finance the construction of this system.<sup>5</sup> The Commission also established rates to be charged by the district to its customers.

3. On September 25, 1967, the Commission approved the name change of Salt River Water District No. 2 to Kentucky Turnpike.

4. On September 11, 1968, Kentucky Turnpike filed an amended application seeking a Certificate of Convenience and Necessity authorizing the construction of a waterworks system, approving proposed rates, and authorizing the issuance of \$1,200,000 in revenue bonds. The Commission granted its approval of these matters on November 8, 1968.

5. On August 29, 1968, Kentucky Turnpike entered a Lease Agreement, amended November 4, 1968, with the Louisville Water Company ("Louisville Water"). The Lease Agreement, as amended, was approved by the Commission in the November

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<sup>5</sup> Case No. 4702, Application of Salt River Water District No. 2 [for] (1) A Certificate of Public Convenience and Necessity[;] (2) Order Authorizing Issue of Bonds[;] (3) Order Authorizing Rate Tariff, Order dated November 4, 1966.

8, 1968 Order as well, except "insofar as it might conflict with the law, rules and regulations of the Public Service Commission." Under this Lease Agreement, Kentucky Turnpike let, leased, and demised to Louisville Water its "entire water distribution system," and any extensions thereof, for a period of 40 years. It further granted Louisville Water the option to renew the lease for an additional 40-year period. The Lease Agreement provided Louisville Water "the exclusive right to serve any and all customers located within the boundaries of the District," and required Louisville Water "to supply the customers within the boundaries of the District." It also specified "the rates to be charged by the [Louisville Water] Company for water service within the District." The Lease Agreement was finalized November 18, 1968.

6. On April 15, 1992, Salt River Water District and Kentucky Turnpike filed a joint petition for approval of a merger agreement and a retail rate adjustment.<sup>6</sup> Under the merger agreement, Salt River would merge into Kentucky Turnpike as an operating division, i.e. Kentucky Turnpike Water District Division No. 2. The existing Kentucky Turnpike would then become operating Division No. 1. The merger was approved by the Commission on February 10, 1993. The Lease Agreement between Kentucky Turnpike and Louisville Water was unaffected and only applicable to Division No. 1.

7. Kentucky Turnpike now requests that Division No. 1 be allowed to deviate from certain regulations because of the Lease Agreement, which it contends makes any loss of water, testing, maintenance, and other unnamed requirements purely the

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<sup>6</sup> Case No. 92-169, Salt River Water District and Kentucky Turnpike Water District Joint Petition for Approval of Merger Agreement and Retail Rate Adjustment, Final Order dated February 10, 1993.

obligation of Louisville Water. Louisville Water contends that it conducts activities for Kentucky Turnpike which "serve to meet the intent" of Commission requirements regarding regular reporting and testing, stating for example that it performs annual statistical analyses on customer meters, including random sampling and testing of meters.

8. Kentucky Turnpike has requested that Division No. 1 be allowed to deviate from 807 KAR 5:066, Section 6(1), which requires that a suitable measuring device be installed at each source of supply so that a record may be maintained of the quantity of water produced by each source. Kentucky Turnpike Division No. 1 does not have master water meters at the connection point with Louisville Water. Kentucky Turnpike Division No. 1 does not pay wholesale water rates to Louisville Water, but rather its customers pay retail rates directly to Louisville Water based on their individual usages. Also, Louisville Water has a leak detection program that does not depend on master metering. Kentucky Turnpike's request that Division No. 1 be allowed to deviate from 807 KAR 5:066, Section 6(1), is therefore reasonable and should be granted.

9. Kentucky Turnpike has requested that Division No. 1 be allowed to deviate from 807 KAR 5:006, Section 3(2), which requires every utility to make periodic reports of meters tests, number of customers, and amount of refunds on the Commission's prescribed quarterly water meter report form. Louisville Water does not use this form and has provided Kentucky Turnpike Division No. 1 with a copy of its annual "Sample Test Report" in lieu of the quarterly water meter report form. Pursuant to the Lease Agreement,

[Louisville Water] will perform all maintenance, make all repairs and replace all parts which are required to keep the system in proper operating condition. . . . [Louisville Water] will read all meters, prepare and distribute all billings, and collect, under [Louisville Water's] published policies, all charges for water service, including surcharges to all customers within the boundaries of the District . . . .

Because of this, Louisville Water bears primary responsibility for Kentucky Turnpike Division No. 1's meters, customers, and refunds. Kentucky Turnpike's request that Division No. 1 be allowed to deviate from 807 KAR 5:006, Section 3(2), is therefore reasonable and should be granted.

10. Kentucky Turnpike has requested that Division No. 1 be allowed to deviate from 807 KAR 5:006, Section 16(1), which requires utilities to provide meter standards and test facilities, and to meet certain testing standards. In the case of water utilities such as Kentucky Turnpike, these standards are more specifically set out under 807 KAR 5:066, Section 15(2)(a)-(b). Louisville Water has a sample meter testing program which is different from the requirements for meter testing as described in that regulation. As all of Kentucky Turnpike Division No. 1's meters and lines are the sole responsibility of Louisville Water pursuant to the Lease Agreement, Kentucky Turnpike's request that Division No. 1 be allowed to deviate from 807 KAR 5:006, Section 16(1), is reasonable and should be granted.

11. Kentucky Turnpike has requested that Division No. 1 be allowed to deviate from 807 KAR 5:006, Section 25(1), which requires utilities to adopt inspection procedures to assure safe and adequate operation of their facilities and to file same with the Commission. Kentucky Turnpike has filed no such inspection procedures for Division

No. 1 with the Commission. Regardless of the arrangement between Division No. 1 and Louisville Water, Kentucky Turnpike retains ultimate responsibility for the safe and adequate operation of its facilities. Kentucky Turnpike's request that Division No. 1 be allowed to deviate from 807 KAR 5:006, Section 25(1), should therefore be denied.

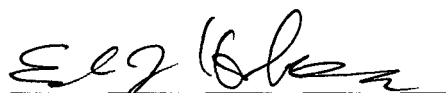
IT IS THEREFORE ORDERED that:

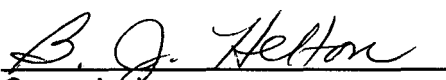
1. Kentucky Turnpike's request that Division No. 1 be allowed to deviate from 807 KAR 5:066, Section 6(1), 807 KAR 5:006, Section 3(2), and 807 KAR 5:006, Section 16(1), is granted.
2. Kentucky Turnpike shall file annually with the Commission copies of the meter test and leak detection reports for Division No. 1 as provided to it by Louisville Water and as discussed in findings 8 through 10.
3. Kentucky Turnpike's request that Division No. 1 be allowed to deviate from 807 KAR 5:006, Section 25(1), is denied.
4. Kentucky Turnpike shall adopt inspection procedures to assure the safe and adequate operation of Division No. 1's facilities and file same with the Commission within 60 days of the date of this Order.

Done at Frankfort, Kentucky, this 24th day of February, 1997.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director